

**FINANCIAL MANAGEMENT:  
Review of Assertions Included in the  
Executive Office for Asset Forfeiture's  
Fiscal Years 2000 and 1999  
Annual Reports of Drug Control Funds**

OIG-01-056

March 23, 2001



**Office of Inspector General**

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**The Department of the Treasury**

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## **Executive Office for Asset Forfeiture's Annual Reporting of FY 2000 Drug Control Funds**

## **Executive Office for Asset Forfeiture's Revised Annual Reporting of FY 1999 Drug Control Funds**

### **Abbreviations**

EOAF	Executive Office for Asset Forfeiture
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy



## Report of the Office of Inspector General

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*The Department of the Treasury*  
*Office of Inspector General*

March 23, 2001

Raymond M Dineen  
Director  
Executive Office of Asset Forfeiture

We have reviewed the assertions in Section b of the accompanying Executive Office for Asset Forfeiture's (EOAF) Annual Reporting of FY 2000 Drug Control Funds and Revised Annual Reporting of FY 1999 Drug Control Funds (Submissions).

Our reviews were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions in Section b of the accompanying Submissions. Accordingly, we do not express such an opinion

The Submissions, including the assertions made, were prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *"Annual Accounting of Drug Control Funds"* (Circular), dated December 17, 1999, and are the responsibility of EOAF's management.

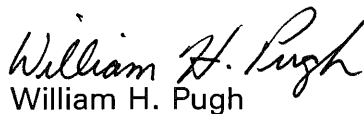
Based on our reviews, nothing came to our attention that caused us to believe that the assertions included in Section b of the accompanying Submissions are not presented in all material respects based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of EOAF, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

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Our report has been reviewed by your staff and their comments have been included in Appendix 1 of this report. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789. We appreciate the cooperation and the courtesies extended to our staff.

  
William H. Pugh

Deputy Assistant Inspector General for Financial Management and  
Information Technology Audits  
January 25, 2001



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FEB 21 2001

MEMORANDUM FOR WILLIAM H. PUGH  
DEPUTY ASSISTANT INSPECTOR GENERAL FOR  
FINANCIAL MANAGEMENT AND INFORMATION  
TECHNOLOGY AUDITS  
OFFICE OF INSPECTOR GENERAL

FROM: ERIC E. HAMPL *Eric E. Hampl*  
ASSISTANT DIRECTOR FOR FINANCIAL MANAGEMENT/CFO

SUBJECT: Draft Report on the Review of the Executive Office for Asset  
Forfeiture's Fiscal Years 2000 and 1999 Annual Reporting of Drug  
Control Funds

We have reviewed your draft report on the review of our Annual Reporting of Fiscal Year 2000 Drug Control Funds and Revised Annual Reporting of FY 1999 Drug Control Funds and have no comments.

Please extend my appreciation and personal thanks to all of your auditors who participated in this review. They were extremely professional and I appreciate the time and assistance they provided to me and my staff. We look forward to working with you and your staff again in the future.

If you have further questions or comments, please feel free to contact me at (202) 622-2568, or a member of your staff may contact Holley Miller at (202) 622-5891.

**Financial Audits Division**

Michael Fitzgerald, Director  
Robert Todero, Audit Manager  
Kimberly Fleming, Lead Auditor  
Ken Harness, Auditor

**The Department of the Treasury**

Office of Accounting and Internal Control  
Office of Budget

**Executive Office of Asset Forfeiture**

Director  
Assistant Director For Financial Management /  
Chief Financial Officer

**Office of Management and Budget**

OIG Budget Examiner



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DEC 22 2000

MEMORANDUM FOR JAMES LINGEBACH  
ACTING DEPUTY CHIEF FINANCIAL OFFICER

FROM: ERIC E. HAMPL *Eric E. Hampl*  
ASSISTANT DIRECTOR FOR FINANCIAL MANAGEMENT/CFO

SUBJECT: ANNUAL REPORTING OF FY 2000 DRUG CONTROL FUNDS

The Treasury Forfeiture Fund supports goals two and four of the National Drug Control Strategy. Goal two is supported with virtually all allocated funding through investigative resources provided to strengthen law enforcement. Goal four is supported through a funds allocation to the U.S. Coast Guard to shield America's air, land, and sea frontiers from the drug threat. As the funding source to reimburse participating bureaus, the Fund does not directly control the drug enforcement effort.

If further information is required, please contact me on 202-622-2568.

Attachment

cc: Joe McAndrew (Office of Accounting and Internal Control)  
Mike Fitzgerald (Office of Inspector General)



**TREASURY FORFEITURE FUND  
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS**

**DETAILED ACCOUNTING SUBMISSION**

**a. Table of FY 2000 Drug Control Obligations**

Drug Resources by Goal	
Goal 2	\$265,815
Goal 4	<u>200</u>
Total	\$266,015
Drug Resources by Function	
Interdiction	\$ 200
Investigations	189,145
State and Local Assistance	<u>76,670</u>
Total	\$266,015
Drug Resources by Decision Unit	
Permanent Indefinite Authority	\$266,015

**(1) Drug Methodology**

Each Treasury law enforcement bureau (including the U.S. Coast Guard) submits to the Forfeiture Fund a percentage of expenses that they project to be drug related for the fiscal year. A cumulative weighted average is then calculated and applied to the Fund's financial plan for that year. For FY 2000, a weighted average of 70 percent of resources expended was calculated and is reflected in the above figures.

**(2) Methodology Modifications**

None

**(3) Material Weaknesses of Other Findings**

None

**(4) Reprogrammings or Transfers**

None

(5) Other Disclosures

The information reflects reliance upon participating bureaus estimates of drug related percentages of effort in case investigations.

b. Assertions

(1) Drug Methodology

Although EOAF relies on the law enforcement bureaus to provide drug-related case percentages processed by their organization during the fiscal year, EOAF asserts that the drug methodology used to calculate obligations of FY 2000 budgetary resources is reasonable and accurate.

(a) Data

Participating bureaus are requested to provide their professional estimate of drug-related cases processed by their organization during the fiscal year. While there are case management systems in these bureaus, there are no specific drug-related database statistics available for accounting costs comparison. This situation is complicated by the cross-application of case requirements. For example, a drug-related case may include fraud, money laundering, firearms and explosives violations, and smuggling. As such, this type of case is not simply a drug-related case.

Data is not available in a case accounting relationship. While case data are captured and cost data are captured by the bureaus, case-cost data is not collected as a regular part of accounting for drug-related costs. Until such time as case cost elements are identified specifically with the case management activity, the Executive Office for Asset Forfeiture must rely on bureau estimates.

(b) Other estimation Methods

None.

(c) Completeness

The Forfeiture Fund's Drug Control budget only has one component, estimated share of drug-related activities. Other functions of the Fund are outside the drug control arena and are reported elsewhere as financial fraud, credit card fraud, money laundering, currency reporting violations and smuggling.

(d) Financial Systems

The Forfeiture Fund utilizes the Customs Asset Information Management System (AIMS) as the accounting system of record. Customs is the executive agent for the Fund which relies upon several of the Customs systems for information and processing.

(2) Application of Methodology

The Treasury Forfeiture Fund determines end of year obligations and expenses of operating the Fund for a given fiscal year. These end of year figures are obtained in conjunction with reports and closeout activities of the Customs Service, Departmental Offices and participating bureaus. This activity provides the cost basis of Fund operations. The Bureaus provide the drug-related percentage of their activities for the year. This activity enables the Fund to apply drug-related percentages to bureau reimbursable operations funding. The Coast Guard funding is applied at 100 percent because it applies to interdiction of vessels at sea. The other funding is applied at the adjusted percentage received from the bureaus.

EOAF asserts that the methodology disclosed above was the actual methodology used to generate the Table of FY 2000 Drug Control Obligations above.

(3) Financial Plan – Including Reprogramming or Transfers

EOAF asserts that the data presented is associated with obligations against its financial plan for FY 2000. EOAF made no transfers or reprogrammings affecting drug-related resources in FY 2000.



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JAN 3 2001

MEMORANDUM FOR JAMES LINGEBACH  
ACTING DEPUTY CHIEF FINANCIAL OFFICER

FROM: ERIC E. HAMPL *Eric E. Hampl*  
ASSISTANT DIRECTOR FOR FINANCIAL MANAGEMENT/CFO

SUBJECT: REVISED ANNUAL REPORTING OF FY 1999 DRUG CONTROL  
FUNDS

After extensive review by the Executive Office for Asset Forfeiture and the Office of Inspector General, we have revised our figures for the Annual Reporting of FY 1999 Drug Control Funds. Our drug-related percentage has been recalculated and the revised drug control obligations are reflected in the attached report. In addition, we have added the necessary assertions, as required by Section 5.b. of the Office of National Drug Control Policy Circular: *Annual Accounting of Drug Control Funds* dated December 17, 1999.

If further information is required, please contact me on 202-622-2568.

Attachment

Cc: Joe McAndrew (Office of Accounting and Internal Control)  
Mike Fitzgerald (Office of Inspector General)

**TREASURY FORFEITURE FUND  
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS**

**DETAILED ACCOUNTING SUBMISSION**

**a. Table of FY 1999 Drug Control Obligations**

Drug Resources by Goal	
Goal 2	\$239,898
Goal 4	<u>134</u>
Total	\$240,032
Drug Resources by Function	
Interdiction	\$ 134
Investigations	134,350
State and Local Assistance	<u>105,548</u>
Total	\$240,032
Drug Resources by Decision Unit	
Permanent Indefinite Authority	\$240,032

**(1) Drug Methodology**

Each Treasury law enforcement bureau (including the U.S. Coast Guard) submits to the Forfeiture Fund a percentage of expenses that they project to be drug related for the fiscal year. A cumulative weighted average is then calculated and applied to the Fund's financial plan for that year. For FY 1999, a weighted average of 69 percent of resources expended was calculated and is reflected in the above figures.

**(2) Methodology Modifications**

None

**(3) Material Weaknesses of Other Findings**

None

**(4) Reprogrammings or Transfers**

None

(5) Other Disclosures

This is the first year for reporting annual accounting of drug control funds. The information reflects reliance upon participating bureaus estimates of drug related percentages of effort in case investigations.

b. Assertions

(1) Drug Methodology

Although EOAF relies on the law enforcement bureaus to provide drug-related case percentages processed by their organization during the fiscal year, EOAF asserts that the drug methodology used to calculate obligations of FY 1999 budgetary resources is reasonable and accurate.

(a) Data

Participating bureaus are requested to provide their estimate of drug-related cases processed by their organization during the fiscal year. While there are case management systems in these bureaus, there are no specific drug-related database statistics available for accounting costs comparison. This situation is complicated by the cross-application of case requirements. For example, a drug-related case may include fraud, money laundering, firearms and explosives violations, and smuggling. As such, this type of case is not simply a drug-related case.

Data is not available in a case accounting relationship. While case data are captured and cost data are captured by the bureaus, case-cost data is not collected as a regular part of accounting for drug-related costs. Until such time as case cost elements are identified specifically with the case management activity, the Executive Office for Asset Forfeiture must rely on bureau estimates.

(b) Other estimation Methods

None

(c) Completeness

The Forfeiture Fund's Drug Control budget only has one component, estimated share of drug-related activities. Other functions of the Fund are outside the drug control arena and are reported elsewhere as financial fraud, credit card fraud, money laundering, currency reporting violations and smuggling. In addition, the Fund's super surplus resources have been earmarked for many law enforcement purposes which are unrelated to drug control efforts.

(d) Financial Systems

The Forfeiture Fund utilizes the Customs Asset Information Management System (AIMS) as the accounting system of record. Customs is the executive agent for the Fund which relies upon several of the Customs systems for information and processing.

(2) Application of Methodology

The Treasury Forfeiture Fund determines end of year obligations and expenses of operating the Fund for a given fiscal year. These end of year figures are obtained in conjunction with reports and closeout activities of the Customs Service, Departmental Offices and participating bureaus. This activity provides the cost basis of Fund operations. The Bureaus provide the drug-related percentage of their activities for the year. This activity enables the Fund to apply drug-related percentages to bureau reimbursable operations funding. The Coast Guard funding is applied at 100 percent because it applies to interdiction of vessels at sea. The other funding is applied at the adjusted percentage received from the bureaus.

EOAF asserts that the methodology disclosed above was the actual methodology used to generate the Table of FY 1999 Drug Control Obligations above.

(3) Financial Plan - Including Reprogramming or Transfers

EOAF asserts that the data presented is associated with obligations against its financial plan for FY 1999. EOAF made no transfers or reprogrammings affecting drug-related resources in FY 1999.